

**CITY OF WEST LIBERTY**  
**West Liberty, Iowa**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2007**

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NEWS RELEASE

Contact:

FOR RELEASE \_\_\_\_\_

Taylor, Rees, Beckey & Co. P.C. today released an audit report on the City of West Liberty, Iowa.

The City has implemented new reporting standards for the year ended June 30, 2007, with significant changes in content and structure of the financial statements. The new financial statements include a Statement of Net Assets and a Statement of Activities which provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's revenues totaled \$7,585,042 for the year ended June 30, 2007, a 6.18 percent decrease from the prior year. Revenues included \$759,669 in property tax, \$181,404 for tax increment financing revenues, \$5,509,016 from charges for service, \$358,319 from local option sales tax, \$351,485 from unrestricted investment earnings, \$15,211 from licenses and permits, \$293,258 from intergovernmental and \$116,680 from other miscellaneous revenues.

Expenses for City operations totaled \$7,629,710. Expenses included \$585,640 for public safety, \$554,131 for culture and recreation, \$267,063 for public works, \$89,365 debt service, \$190,090 for capital projects and \$116,213 for general government. Expenses for business type activities totaled \$5,827,208.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.



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**CITY OF WEST LIBERTY  
Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Clifford McFerren	Mayor	Jan 2008
Stacy Ervin	Council Member	Jan 2008
William Cline	Council Member	Jan 2008
Chad Thomas	Council Member	Jan 2008
Robert Hartman	Council Member	Jan 2010
Jose Elizondo	Council Member	Jan 2010
Karen A. Thurness	Deputy Clerk	Jan 2008
Connie S. Black	Treasurer	Jan 2008
P.J. Brewer	Chief of Police	Appointed
Curt Newcomb	Fire Chief	Appointed
Chris Ward	City Manager	Appointed

**CITY OF WEST LIBERTY**

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Liberty, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of West Liberty's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Liberty at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2007 on our consideration of the City of West Liberty internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 47 and 48 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of West Liberty basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 10, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

TAYLOR, REES, BECKEY & CO., P.C.  
Certified Public Accountants

November 30, 2007

## MANAGEMENT'S DISCUSSION AND ANALYSIS

City of West Liberty provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2007 FINANCIAL HIGHLIGHTS

Revenues of the City's governmental activities decreased 18.93%, or approximately \$425,262, from fiscal 2006 to fiscal 2007. Property tax increased approximately \$46,955.

This was due to a \$515,000 Federal grant the prior year.

Program expenses totaled \$7,629,710. Expenses included \$585,640, for public safety, \$554,131 for culture and recreation, \$116,213 for general government and \$5,827,208 for business type activities.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the City of West Liberty as a whole and present an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City of West Liberty's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

### REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the City's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Statement of Net Assets and the Statement of Activities report two kinds of activities:

- Governmental activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business type activities include the water, the sanitary sewer system, electric system and the City's solid waste department. These activities are financed primarily by user charges.

#### Fund Financial Statements

The City has two kinds of funds:

(1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

(2) Proprietary funds account for the City's Enterprise Funds. These funds report services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary funds and the business type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The Enterprise Funds include the Water, Sewer, Electric and Solid Waste Funds, with Water, Sewer and Electric considered to be major funds of the City. The City is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

#### GOVERNMENT -WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for governmental and business type activities .

	Net Assets <u>June 30, 2007</u>		
	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Current and other assets	\$ 2,765,953	7,352,370	10,118,323
Capital assets	<u>6,740,450</u>	<u>15,729,374</u>	<u>22,469,824</u>
Total assets	<u>9,506,403</u>	<u>23,081,744</u>	<u>32,588,147</u>
Long-term liabilities	2,085,040	5,771,947	7,856,987
Other liabilities	<u>114,388</u>	<u>546,208</u>	<u>660,596</u>
Total liabilities	<u>2,199,428</u>	<u>6,318,155</u>	<u>8,517,583</u>
Net assets:			
Invested in capital assets, net of related debt	4,655,410	2,492,988	7,148,398
Restricted	94,599	2,736,280	2,830,879
Unrestricted	<u>2,556,966</u>	<u>11,534,321</u>	<u>14,091,287</u>
Total net assets	<u>\$ 7,306,975</u>	<u>16,763,589</u>	<u>24,070,564</u>

Net assets of governmental activities increased from FY06 by approximately \$152,232, or 2.13%. Net assets of business type activities decreased from FY06 by approximately \$196,900, or 1.16%. The largest portion of the City's net assets is the amount invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements , is approximately \$14,091,287 at the end of this year.

Changes in Net Assets  
Year ended June 30, 2007

	Governmental Activities	Business Type Activities	Total
Revenues:			
Program revenues:			
Charges for service	\$ 133,751	5,375,265	5,509,016
General revenues:			
Property tax levied for:			
General purposes	759,669		759,669
Tax increment financing revenues	181,404		181,404
Local option sales tax	358,319		358,319
Intergovernmental	293,258		293,258
Licenses & permits	15,211		15,211
Unrestricted investment earnings	96,442	255,043	351,485
Miscellaneous	116,680	-	116,680
Total revenues	<u>1,954,734</u>	<u>5,630,308</u>	<u>7,585,042</u>
Program expenses:			
Public safety	585,640		585,640
Public works	267,063		267,063
Culture and recreation	554,131		554,131
General government	116,213		116,213
Debt Service	89,365		89,365
Capital Projects	190,090		190,090
Water		365,892	365,892
Sewer		1,223,380	1,223,380
Electric		3,966,400	3,966,400
Solid Waste	-	271,536	271,536
Total expenses	<u>1,802,502</u>	<u>5,827,208</u>	<u>7,629,710</u>
Change in net assets	152,232	(196,900)	(44,668)
Net assets beginning of year (as restated)	<u>7,154,743</u>	<u>16,960,489</u>	<u>24,115,232</u>
Net assets end of year	<u>\$ 7,306,975</u>	<u>16,763,589</u>	<u>24,070,564</u>

## INDIVIDUAL MAJOR FUND ANALYSIS

### Governmental Fund Highlights

As the City of West Liberty completed the year, its governmental funds reported a combined fund balance of \$2,651,565, which is more than the \$1,656,254 total fund balance at June 30, 2006. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

The General Fund showed a decline of \$3,380 from the prior year to \$926,557.

The Capital Projects Fund ended fiscal 2007 with a \$968,583 balance compared to the prior year ending balance of \$57,943. The fiscal 2007 increase is a result of available funds exceeding project costs.

The Debt Service Fund ended fiscal 2007 with a \$94,599 balance compared to the prior year ending balance of \$122,494. The fiscal 2007 deficit is a result of local option tax allocation to various other funds.

#### Proprietary Fund Highlights

The Water Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal 2007 with a \$2,154,051 net asset balance compared to the prior year ending net asset balance of \$2,165,224.

The Sewer Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal 2007 with a \$4,531,893 net asset balance compared to the prior year ending net asset balance of \$4,978,457.

The Electric Fund, which accounts for the operation and maintenance of the City's electrical system, ended fiscal 2007 with a \$9,782,194 net asset balance compared to the prior year ending net asset balance of \$9,522,916.

#### BUDGETARY HIGHLIGHTS

Over the course of the year, the City of West Liberty amended its budget one time. The amendment was done in 2007. These amendments were needed to cover unplanned disbursements, including disbursements associated with projects carried over from the prior fiscal year.

Even with these amendments, the City exceeded the budgeted amount in the public works, culture and recreation, general government and debt services functions for the year ended June 30, 2007.

#### CAPITAL ASSETS AND DEBT ADMINISTRATION

##### Capital Assets

The City's capital assets include land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals and other infrastructure. Capital assets for governmental activities totaled \$6,740,450 (net of accumulated depreciation) at June 30, 2007. Capital assets for business type activities totaled \$15,729,375 (net of accumulated depreciation) at June 30, 2007. See Note 3 to the financial statements for more information about the City's capital assets.

##### Long-Term Debt

At June 30, 2007, the City had \$2,085,040, in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business type activities was \$5,774,960 at June 30, 2007.

#### ECONOMIC FACTORS BEARING ON THE CITY'S FUTURE

Several economic factors affected decisions made by the City of West Liberty in setting its fiscal 2007 budget. The City of West Liberty will experience a significant change in General Fund revenues and expenditures from fiscal year 2007 to fiscal year 2008. The major factors that will play a role in this change are the intergovernmental revenue and the property valuation for

fiscal 2007 in which the State of Iowa has issued the Assessment Limitation Order to be 48% for residential property.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index (CPI) increase. The State of Iowa CPI increase was 2.7 percent for fiscal year 2007 compared with the national rate of 3.5 percent. Inflation has been modest here due, in part, to the slowing of the residential housing market state wide but there has been an increase in energy prices, which has also been a major influence on this budget. City staff and management could not anticipate the dramatic increase in fuel cost for this budget year.

The tax levy rates per \$1,000 of taxable valuation for fiscal year 2007 are provided below:

General levy	\$ 8.10
Debt Service levy	\$ 0.83
Tort Liability	\$ 0.95
Employee Benefits	\$ 2.28
Emergency Levy	<u>\$ 0.27</u>
Total	<u>\$12.43</u>

#### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to present our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information please contact the City Manager, Mr. Chris Ward, City of West Liberty, 409 N. Calhoun Street, West Liberty, Iowa 52776 or by telephone at (319) 627-2418.

## Basic Financial Statements



City of West Liberty  
Statement of Net Assets  
June 30, 2007

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business Type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and pooled investments	\$ 2,703,755	3,517,312	6,221,067
Receivables:			
Property tax	12,384		12,384
Accounts	9,939	721,621	731,560
Accrued interest	1,398	23,328	24,726
Due from other governments	653		653
Due from other funds		23,769	23,769
Inventories		165,418	165,418
Prepaid Expenses	37,824	71,013	108,837
Bond Issuance		93,629	93,629
Restricted assets:			
Cash and pooled investments		2,736,280	2,736,280
Capital assets (net of accumulated depreciation)	<u>6,740,450</u>	<u>15,729,374</u>	<u>22,469,824</u>
<b>Total Assets</b>	<u>9,506,403</u>	<u>23,081,744</u>	<u>32,588,147</u>
<b>Liabilities</b>			
Accounts payable	53,357	385,411	438,768
Salaries and benefits payable	36,714	23,960	60,674
GO Bonds payable current plus interest		23,339	23,339
Due to other governments	548	2,415	2,963
Due to other funds	23,769		23,769
Long-term liabilities:			
Portion due or payable within one year:			
Customer deposits		72,448	72,448
General obligation bonds/notes	207,040	-	207,040
Revenue notes payable		565,000	565,000
Accrued interest payable		38,635	38,635
Portion due or payable after one year:			
General obligation bonds/notes (net of unamortized discount)	1,878,000	82,000	1,960,000
Revenue notes payable		5,105,000	5,105,000
Bank note payable	-	19,947	19,947
<b>Total Liabilities</b>	<u>2,199,428</u>	<u>6,318,155</u>	<u>8,517,583</u>

City of West Liberty  
Statement of Net Assets

June 30, 2007

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	4,655,410	2,492,988	7,148,398
Restricted for:			
Debt service	94,599		94,599
Revenue note retirement		805,688	805,688
Improvements		1,930,592	1,930,592
Unrestricted	<u>2,556,966</u>	<u>11,534,321</u>	<u>14,091,287</u>
<b>Total Net Assets</b>	<b><u>\$ 7,306,975</u></b>	<b><u>16,763,589</u></b>	<b><u>24,070,564</u></b>

See notes to financial statements.

## City of West Liberty

## Statement of Activities

Year ended June 30, 2007

	<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Service</u>
<b>Functions / Programs:</b>		
<b>Primary Government:</b>		
Governmental activities:		
Public safety	\$ 585,640	85,341
Public works	267,063	
Culture and recreation	554,131	48,410
General government	116,213	
Debt Service	89,365	
Capital Projects	190,090	-
Total governmental activities	<u>1,802,502</u>	<u>133,751</u>
Business type activities:		
Water	365,892	314,548
Sewer	1,223,380	767,357
Electric	3,966,400	4,027,195
Solid Waste	271,536	266,165
Total business type activities	<u>5,827,208</u>	<u>5,375,265</u>
<b>Total Primary Government</b>	<u>\$ 7,629,710</u>	<u>5,509,016</u>
<b>General Revenues:</b>		
Property and other city tax levied for:		
General purposes		
Tax increment financing		
Local option sales tax		
Intergovernmental		
Licenses & permits		
Unrestricted investment earnings		
Miscellaneous		
Total general revenues		
Change in net assets		
Net assets beginning of year		
Net assets end of year		

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business Type Activities	Total
(500,299)		(500,299)
(267,063)		(267,063)
(505,721)		(505,721)
(116,213)		(116,213)
(89,365)		(89,365)
(190,090)	-	(190,090)
<u>(1,668,751)</u>	<u>-</u>	<u>(1,668,751)</u>
	(51,344)	(51,344)
	(456,023)	(456,023)
	60,795	60,795
-	(5,371)	(5,371)
-	(451,943)	(451,943)
<u>(1,668,751)</u>	<u>(451,943)</u>	<u>(2,120,694)</u>
759,669		759,669
181,404		181,404
358,319		358,319
293,258	-	293,258
15,211		15,211
96,442	255,043	351,485
<u>116,680</u>	<u>-</u>	<u>116,680</u>
<u>1,820,983</u>	<u>255,043</u>	<u>2,076,026</u>
152,232	(196,900)	(44,668)
<u>7,154,743</u>	<u>16,960,489</u>	<u>24,115,232</u>
<u>\$ 7,306,975</u>	<u>16,763,589</u>	<u>24,070,564</u>

## City of West Liberty

Balance Sheet  
Governmental Funds

June 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<b>Assets</b>					
Cash and pooled investments	\$ 953,720	92,153	968,589	689,293	2,703,755
Receivables:					
Property tax	9,938	2,446			12,384
Accounts	9,939				9,939
Accrued interest	712			686	1,398
Due from other governments				653	653
Prepaid Expenses	30,979			6,845	37,824
<b>Total assets</b>	<u>\$ 1,005,288</u>	<u>94,599</u>	<u>968,589</u>	<u>697,477</u>	<u>2,765,953</u>
<b>Liabilities and Fund Balances</b>					
Liabilities					
Accounts payable	\$ 46,973		6	6,378	53,357
Salaries and benefits payable	31,210			5,504	36,714
Due to other governments	548				548
Due to other funds				23,769	23,769
<b>Total Liabilities</b>	<u>\$ 78,731</u>	<u>-</u>	<u>6</u>	<u>35,651</u>	<u>114,388</u>
Fund balances					
Reserved for debt service		94,599			94,599
Unreserved:					
Undesignated:					
Reported in:					
General fund	926,557				926,557
Special revenue funds				639,658	639,658
Capital projects fund			968,583	22,168	990,751
Total fund balances	<u>926,557</u>	<u>94,599</u>	<u>968,583</u>	<u>661,826</u>	<u>2,651,565</u>
<b>Total liabilities and fund balances</b>	<u>\$ 1,005,288</u>	<u>94,599</u>	<u>968,589</u>	<u>697,477</u>	<u>2,765,953</u>

See notes to financial statements.

**City of West Liberty**

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City of West Liberty  
Reconciliation of the Balance Sheet –  
Governmental Funds to the Statement of Net Assets

June 30, 2007

<b>Total governmental fund balances (page 21)</b>	<b>\$ 2,651,565</b>
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*Amounts reported for governmental activities in the Statement of Net Assets are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$11,360,855 and the accumulated depreciation is \$4,620,405.

6,740,450

Long-term liabilities, including bonds payable, compensated absences and accrued interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

(2,085,040)

*Net assets of governmental activities (page 15)*

**\$ 7,306,975**

See notes to financial statements.

## City of West Liberty

Statement of Revenues, Expenditures  
and Changes in Fund Balances (Deficit)  
Governmental Funds

Year ended June 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Revenues:					
Property tax	\$ 703,812	\$ 55,857		-	759,669
Tax increment financing		130,314		51,090	181,404
Local option tax	238,879		119,440		358,319
Licenses and permits	15,211				15,211
Use of money and property	47,022	6,551	22,255	20,614	96,442
Intergovernmental	15,553			277,705	293,258
Charges for service	91,491			42,260	133,751
Miscellaneous	<u>29,963</u>			<u>86,717</u>	<u>116,680</u>
Total revenues	<u>1,141,931</u>	<u>192,722</u>	<u>141,695</u>	<u>478,386</u>	<u>1,954,734</u>
Expenditures:					
Operating:					
Public safety	514,874			4,076	518,950
Public works	27,903			297,004	324,907
Culture and recreation	540,646			10,187	550,833
General government	49,388			61,695	111,083
Debt service		220,617		2,428	223,045
Capital projects			<u>80,605</u>		<u>80,605</u>
Total expenditures	<u>1,132,811</u>	<u>220,617</u>	<u>80,605</u>	<u>375,390</u>	<u>1,809,423</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,120</u>	<u>(27,895)</u>	<u>61,090</u>	<u>102,996</u>	<u>145,311</u>
Other financing sources (uses):					
Bond proceeds			850,000		850,000
Operating transfers in				12,500	12,500
Operating transfers out	<u>(12,500)</u>		<u>-</u>	<u>-</u>	<u>(12,500)</u>
Total other financing sources (uses)	<u>(12,500)</u>	<u>-</u>	<u>850,000</u>	<u>12,500</u>	<u>850,000</u>
Net change in fund balances	(3,380)	(27,895)	911,090	115,496	995,311
Fund balances (deficit) beginning of year	<u>929,937</u>	<u>122,494</u>	<u>57,493</u>	<u>546,330</u>	<u>1,656,254</u>
Fund balances (deficit) end of year	<u>\$ 926,557</u>	<u>94,599</u>	<u>968,583</u>	<u>661,826</u>	<u>2,651,565</u>

See notes to financial statements.



**City of West Liberty**

## City of West Liberty

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances -  
Governmental Funds to the Statement of Activities

Year ended June 30, 2007

**Net change in fund balances - Total governmental funds (page 21)** \$ 995,311

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	263,840
Depreciation expense	(390,599)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Proceeds	(850,000)
Repaid	<u>133,680</u>

**Change in net assets of governmental activities (page 17)** \$ 152,232

See notes to financial statements.

City of West Liberty  
Statement of Net Assets  
Proprietary Funds

June 30, 2007

	<u>Water</u>	<u>Sewer</u>	<u>Enterprise Fund</u> <u>Electric</u>	<u>Solid Waste</u>	<u>Total</u>
<b>Assets</b>					
Cash and pooled investments	\$ 53,660	(117,295)	3,450,362	130,585	3,517,312
Receivables (net of allowance for uncollectibles):					
Accounts	60,064	102,147	512,570	46,840	721,621
Accrued interest	3,933	1,068	18,064	263	23,328
Due from other funds			23,769		23,769
Inventories	32,589	654	132,175		165,418
Prepaid expenses	3,326	8,063	53,480	6,144	71,013
Bond issuance		28,309	65,320		93,629
Restricted assets:					
Cash and pooled investments	825,618	660,172	1,233,290	17,200	2,736,280
Capital assets (net of accumulated depreciation)	<u>1,240,203</u>	<u>5,750,756</u>	<u>8,619,231</u>	<u>119,184</u>	<u>15,729,374</u>
<b>Total assets</b>	<u>2,219,393</u>	<u>6,433,874</u>	<u>14,108,261</u>	<u>320,216</u>	<u>23,081,744</u>
<b>Liabilities</b>					
Accounts payable	61,118	58,799	263,468	2,026	385,411
Salaries and benefits payable	4,224	5,139	11,808	2,789	23,960
Go Bonds payable current plus interest		23,339			23,339
Due to other governments			2,412	3	2,415
Customer deposits			72,448		72,448
Payable from restricted assets:					
General Obligation bonds/notes					
Revenue notes payable		280,000	285,000		565,000
Accrued interest payable		22,704	15,931		38,635
Long-term liabilities:					
GO Bonds payable		82,000			82,000
Revenue notes payable		1,430,000	3,675,000		5,105,000
Bank note payable				19,947	19,947
<b>Total liabilities</b>	<u>65,342</u>	<u>1,901,981</u>	<u>4,326,067</u>	<u>24,765</u>	<u>6,318,155</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	9,992	2,481,396	1,600		2,492,988
Restricted for:					
Revenue note retirement		152,507	653,181		805,688
Improvement	825,618	507,666	580,108	17,200	1,930,592
Unrestricted	<u>1,318,441</u>	<u>1,390,324</u>	<u>8,547,305</u>	<u>278,251</u>	<u>11,534,321</u>
<b>Total net assets</b>	<u>\$ 2,154,051</u>	<u>4,531,893</u>	<u>9,782,194</u>	<u>295,451</u>	<u>16,763,589</u>

See notes to financial statements.

## City of West Liberty

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2007

	<u>Enterprise Fund</u>				
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Solid Waste</u>	<u>Total</u>
Operating revenues:					
Charges for service	\$ 314,548	767,357	4,027,195	266,165	5,375,265
Total operating revenues	<u>314,548</u>	<u>767,357</u>	<u>4,027,195</u>	<u>266,165</u>	<u>5,375,265</u>
Operating expenses:					
Business type activities:					
Cost of sales and services	251,047	919,241	3,225,417	252,416	4,648,121
Depreciation	<u>114,845</u>	<u>217,841</u>	<u>545,587</u>	<u>17,904</u>	<u>896,177</u>
Total operating expenses	<u>365,892</u>	<u>1,137,082</u>	<u>3,771,004</u>	<u>270,320</u>	<u>5,544,298</u>
Operating income (loss)	<u>(51,344)</u>	<u>(369,725)</u>	<u>256,191</u>	<u>(4,155)</u>	<u>(169,033)</u>
Non-operating revenues (expenses):					
Federal grant					-
Interest income	40,171	9,459	198,483	6,930	255,043
Interest expense		(86,298)	(195,396)	(1,216)	(282,910)
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>40,171</u>	<u>(76,839)</u>	<u>3,087</u>	<u>5,714</u>	<u>(27,867)</u>
Change in net assets	(11,173)	(446,564)	259,278	1,559	(196,900)
Net assets beginning of year	<u>2,165,224</u>	<u>4,978,457</u>	<u>9,522,916</u>	<u>293,892</u>	<u>16,960,489</u>
Net assets end of year	<u>\$ 2,154,051</u>	<u>4,531,893</u>	<u>9,782,194</u>	<u>295,451</u>	<u>16,763,589</u>

See notes to financial statements.

## City of West Liberty

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2007

	<u>Enterprise Fund</u>				
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Solid Waste</u>	<u>Total</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income	\$ (11,173)	(446,564)	259,278	1,559	(196,900)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	114,845	217,841	545,587	17,904	896,177
(Increase) Decrease in customer accounts receivable and unbilled usage and other accounts receivable	152	(6,483)	34,448	(1,989)	26,128
(Increase ) decrease in inventories, at cost	(3,170)	132	(10,518)		(13,556)
(Increase ) in prepaid expenses and bond issuance cost	4,258	(670)	(7,523)	(487)	(4,422)
Increase (Decrease) in accounts payable	50,281	12,494	9,929	(1,387)	71,317
Increase (decrease) in salaries payable	118	481	497	(252)	844
Increase in customer deposits			12,988		12,988
Increase in due to other governments	-	(1,214)	352	(2)	(864)
Net cash provided (used) by operating activities	<u>155,311</u>	<u>(223,983)</u>	<u>845,038</u>	<u>15,346</u>	<u>791,712</u>
Cash flows from capital and related financing activities:					
Net increase of capital assets	(116,044)	(33,565)	(93,494)	(27,331)	(270,434)
Increase (Decrease) in long term debt	-	512,158	(270,844)	(12,640)	228,674
Net cash used for capital and related financing activities	<u>(116,044)</u>	<u>478,593</u>	<u>(364,338)</u>	<u>(39,971)</u>	<u>(41,760)</u>
Net increase (decrease) in cash and cash equivalents	39,267	254,610	480,700	(24,625)	749,952
Cash and cash equivalents beginning of year	<u>840,011</u>	<u>288,267</u>	<u>4,202,952</u>	<u>172,410</u>	<u>5,503,640</u>
Cash and cash equivalents end of year	<u>\$ 879,278</u>	<u>542,877</u>	<u>4,683,652</u>	<u>147,785</u>	<u>6,253,592</u>

See notes to financial statements.

## City of West Liberty

### Notes to Financial Statements

June 30, 2007

#### NOTE 1- Summary of Significant Accounting Policies

City of West Liberty is a political subdivision of the State of Iowa located in Muscatine County. It operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Manager form of government with the Mayor and Council Members elected on a non-partisan basis. The City of West Liberty provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. It also provides electric, water, sewer and solid waste utilities.

The financial statements of the City of West Liberty have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, the City of West Liberty has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of West Liberty (the primary government) and any component units of which it has none.

#### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Muscatine County Assessor's Conference Board, County Emergency Management Commission, Muscatine County Landfill Commission and Muscatine County Joint E911 Service Board, West Liberty Community School District, Muscatine County Engineer.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

“Invested in capital assets, net of related debt” consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

“Restricted net assets” result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

“Unrestricted net assets” consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements** – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities related to street improvements .

Debt Service:

The Debt Service Fund is used to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

Enterprise:

The Electric Fund is used to account for the operation and maintenance of the City's electric system.

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

### C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.



#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

**Cash, Pooled Investments and Cash Equivalents** – The cash balances of most City funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments consist of non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

**Property Tax Receivable, Including Tax Increment Financing** – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking, is certified by the City to the County Board of Supervisors. Current year property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2007 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivables have been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2006.

**Customer Accounts and Unbilled Usage** – Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

**Due from and Due to Other Funds** – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2007, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

**Due From Other Governments** – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

**Inventories** – Inventories are valued at cost using the first-in/first-out method. Inventories in the Enterprise Funds consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

**Restricted Assets** – Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable note indentures. Other restricted

assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

**Capital Assets** – Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of three years.

<u>Asset Class</u>	<u>Amount</u>
Land, buildings and improvements	\$ 25,000
Equipment and vehicles	2,500
Infrastructure	35,000

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-50 years
Improvements other than buildings	15-50 years
Vehicles	3-15 years
Equipment	5-30 years
Infrastructure	15-20 years

**Deferred Revenue** – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

**Compensated Absences** – Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and if material, a fund liability of the governmental fund that will pay it. At June 30, 2007 the liability was not material to the financial statements.

**Long-term Liabilities** – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity** – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the capital projects function.

#### **NOTE 2- Cash and Pooled Investments**

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

**NOTE 3- Capital Assets**

Capital assets activity for the year ended June 30, 2007 was as follows:

<b>Primary Government</b>	<b>Balance Beginning of Year</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance End of Year</b>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 407,919	60,000	-	467,919
Total capital assets not being depreciated	407,919	60,000	-	467,919
Capital assets being depreciated:				
Buildings	3,568,387	72,604		3,640,991
Improvements other than buildings	756,823	80,473		837,296
Equipment and vehicles	1,136,310	45,683		1,181,993
Infrastructure, road network	5,227,576	5,080	-	5,232,656
Total capital assets being depreciated	10,689,096	203,840	-	10,892,936
Less accumulated depreciation for:				
Buildings	1,518,853	58,424		1,577,277
Improvements other than buildings	315,896	39,352		355,248
Equipment and vehicles	639,499	118,257		757,756
Infrastructure, road network	1,755,558	174,566	-	1,930,124
Total accumulated depreciation	4,229,806	390,599	-	4,620,405
Total capital assets being depreciated, net	6,459,290	(186,759)	-	6,272,531
Governmental activities capital assets, net	\$ 6,867,209	(126,759)	-	6,740,450
<b>Business type activities:</b>				
Capital assets being depreciated:				
Buildings	\$ 2,484,897	-		2,484,897
Equipment and vehicles	17,297,243	132,420		17,429,663
Infrastructure, water and sewer network	8,111,205	138,015	-	8,249,220
Total capital assets being depreciated	27,893,345	270,435	-	28,163,780
Less accumulated depreciation for:				
Buildings	401,164	78,521		479,685
Equipment and vehicles	6,349,135	554,508		6,903,643
Infrastructure, water and sewer network	4,787,929	263,148	-	5,051,077
Total accumulated depreciation	11,538,228	896,177	-	12,434,405
Total capital assets being depreciated, net	16,355,117	(625,742)	-	15,729,375
Business type activities capital assets, net	\$ 16,355,117	\$ (625,742)	\$ -	\$ 15,729,375

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
Public safety	\$ 75,891
Public works	208,504
Culture and recreation	100,015
General government	<u>6,189</u>
Total depreciation expense - governmental activities	<u>\$ 390,599</u>
Business type activities:	
Water	\$ 114,845
Sewer	217,841
Solid Waste	17,904
Electric	<u>545,587</u>
Total depreciation expense - business type activities	<u>\$ 896,177</u>

#### **NOTE 4- Changes in Long-Term Debt**

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year (as restated, note 13)	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds/notes	\$ 1,368,720	850,000	133,680	2,085,040	207,040
Total	<u>\$ 1,368,720</u>	<u>850,000</u>	<u>133,680</u>	<u>2,085,040</u>	<u>207,040</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Business type activities:					
General Obligation Bonds	\$ 126,280		21,320	104,960	22,900
Revenue notes	<u>5,400,000</u>	<u>800,000</u>	<u>530,000</u>	<u>5,670,000</u>	<u>1,365,000</u>
Total	<u>\$ 5,526,280</u>	<u>800,000</u>	<u>551,320</u>	<u>5,774,960</u>	<u>1,387,900</u>

(1) Bonds were sold at a discount; unamortized discount at June 30, 2007 totaled \$.

#### **General obligation bonds/notes**

Three issues of unmatured general obligation bonds/notes, totaling \$2,190,000, are outstanding at June 30, 2007. General obligation bonds/notes bear interest at rates ranging from 4.00% to 5.3% and mature in varying annual amounts, ranging from \$45,000 to \$140,000 with the final maturities due in the year ending 2017.

Details of general obligation bonds/notes payable at June 30, 2007 are as follows:

Governmental activities:	Date of <u>Issue</u>	Interest <u>Rates</u>	Final Due <u>Date</u>	Annual <u>Payments</u>	Amount Originally <u>Issued</u>	Outstanding <u>June 30, 2007</u>
General obligation bonds/notes:						
Street Improvement bond	3/1/2001	4.5%-5.3%	6/30/2016	Various	1,490,000	1,020,000
Pool Capital Note	9/1/2002	2.75%-4.7%	6/30/2013	Various	400,000	215,040
Elm Street Capital Note	11/1/2006	3.75%-4.7%	6/1/2017	Various	850,000	<u>850,000</u>
Total governmental activities						<u>\$ 2,085,040</u>

A summary of the annual general obligation bond/note principal and interest requirements to maturity by year is as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	207,040	94,951	301,991
2009	217,040	86,080	303,120
2010	201,880	76,659	278,539
2011	215,240	67,653	282,893
2012	230,240	57,925	288,165
2013	238,600	47,354	285,954
2014	215,000	36,238	251,238
2015	225,000	26,138	251,138
2016	235,000	15,465	250,465
2017	<u>100,000</u>	<u>4,150</u>	<u>104,150</u>
Total	<u>\$ 2,085,040</u>	<u>512,613</u>	<u>2,597,653</u>

#### Revenue notes

Three issues of unmatured revenue notes, totaling \$5,670,000, are outstanding at June 30, 2007. These notes bear interest at rates of 4.0% to 7.5% and mature in varying annual amounts ranging from \$280,000 to \$800,000 with the final maturity due in the year ending 2017.

The resolution providing for the issuance of the revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a revenue note retirement account for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers to separate wastewater improvement and replacement accounts shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.

(d) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

During the year ended June 30, 2007, the City was in compliance with the revenue note provisions.

Details of revenue and general obligation notes payable at June 30, 2007 are as follows:

Business type activities:	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2007</u>
Revenue notes:						
Electric	9/1/2002	2.5-5.3%	6/30/2017	Various	5,000,000	3,960,000
Sewer	3/1/1995	7.25-7.5%	6/30/2010	Various	3,115,000	910,000
Sewer	6/27/2007	6%	7/1/2008	800,000	800,000	<u>800,000</u>
Total						5,670,000
General Obligation note:						
Sewer	9/1/2002	2.75-4.7%	6/30/2013	Various	195,000	<u>104,960</u>
Total						<u>\$ 5,774,960</u>

A summary of the annual revenue note principal and interest requirements to maturity is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	1,387,960	306,129	1,694,089
2009	622,960	224,382	847,342
2010	648,120	187,466	835,586
2011	334,760	148,427	483,187
2012	349,760	132,617	482,377
2013	371,400	115,457	486,857
2014	370,000	96,920	466,920
2015	390,000	77,915	467,915
2016	410,000	57,510	467,510
2017	435,000	35,534	470,534
2018	<u>455,000</u>	<u>12,058</u>	<u>467,058</u>
Total	<u>\$ 5,774,960</u>	<u>1,394,415</u>	<u>7,169,375</u>

#### NOTE 5- Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Fire Reserve	General	<u>\$ 12,500</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

#### NOTE 6- Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise:	Special Revenue:	
Electric	TIF	<u>\$ 23,769</u>

These balances result from interfund loans to finance projects. Repayments will be made from future revenues.

#### NOTE 7- Pension and Retirement Benefits

##### IPERS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.08% and 9.12%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$74,663, \$71,791 and \$64,304, respectively, equal to the required contributions for each year.

#### NOTE 8- Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### NOTE 9 - LOCAL OPTION SALES TAX

Commencing on July 1, 1995, the City began collecting a one percent local option sales tax. As approved by voters, the City is required to utilize the sales tax revenue it receives as follows:



From January 1, 2005

33 <sup>1</sup>/<sub>3</sub>% for local property tax relief

33 <sup>1</sup>/<sub>3</sub>% for streets, curbs & gutters

33 <sup>1</sup>/<sub>3</sub>% for community development projects including improvement of library, other facilities, community cleanup and infrastructure

NOTE 10 - CODE OF IOWA, CHAPTER 28E, ORGANIZATIONS

On September 11, 1983, the City entered into an agreement with the Muscatine County Solid Waste Management Agency for the establishment of a jointly governed public agency under Chapter 28E of the Code of Iowa for the purpose of providing solid waste disposal facilities in Muscatine County, Iowa. The City has no direct financial commitment to the entity. The City is obligated to remain a member of the Agency for as long as bonds remain outstanding that the City of Muscatine issued in fiscal year 1997 for construction of collection and disposal facilities.

On October 4, 1994, the City entered into an agreement with the Resale Power Group of Iowa for the establishment of a jointly governed public agency under Chapter 28E of the Code of Iowa for the purpose of providing for the purchase, generation transmission distribution, sale and interchange of electric energy and related services. The agreement was modified on May 20, 1998 to include the purpose of contracting for electrical power and energy on a wholesale basis.

On January 3, 1995, the City entered into an agreement with other governmental units in the area for the establishment of a jointly governed public agency under Chapter 28E of the Code of Iowa for the purpose of mutual fire aid protection in Muscatine County, Iowa. The City has no direct financial commitment to the entity. The City is obligated to share its fire protection resources with other governmental units of the entity. On October 7, 1997 the City entered into an agreement under Chapter 28E of the Code of Iowa with the West Liberty Community School District for the purpose of allowing for relocation of a fence.

On January 20, 1998, the City, entered into an agreement with the City of Wilton, Iowa under Chapter 28E of the Code of Iowa for the purpose of sharing equally the cost of sewer line televising equipment.

On February 11, 2000, the City entered into an agreement with the Muscatine County Sheriff's Office, the City of Muscatine Police Department and the Muscatine County Attorney's Office for the establishment of a jointly governed public agency, the Muscatine County Drug Task Force, under Chapter 28E of the Code of Iowa for the purpose of coordinating their controlled substances investigations, under Chapter 28D, enforcement and prosecution efforts and to share resources available through various sources of funding. The City has no direct financial commitment to the entity. The City is obligated to share its law enforcement resources with the other governmental units of the entity.

On June 6, 2002, the City entered into an agreement under Chapter 28E with the West Liberty Volunteer Fire Department and the West Liberty Rural Communities Ambulance District for the purpose of jointly owned ambulance equipment and the allocation of operating and maintenance expense.

On June 2, 2002, the City entered into an agreement under Chapter 28E with the West Liberty Volunteer Fire Department and the West Liberty Rural Fire Department for the purpose of jointly owned firefighting equipment and the allocation of operating and maintenance expense.

On October 18, 2006, the City entered into an agreement under Chapter 28E with the West Liberty School District for the purpose of joint use of recreational facilities of the City and the school for adult and youth recreation programs.

On June 10, 2007, the City entered into an agreement under Chapter 28E with Muscatine County for the purpose of the road construction improvements to be made to Garfield Avenue, aka Muscatine County Road X40, within the City of West Liberty at an estimated cost of \$96,644.77.

On December 18, 2006, the City entered into an agreement under Chapter 28E with the West Liberty School District for the purpose of providing recreational and social opportunities for the youth of the City of West Liberty.

#### NOTE 11- RPGI PARTICIPANT (AGENCY) AGREEMENT & RPGI PRO RATA GUARANTY

The City signed a RPGI Participant Agreement dated April 15<sup>th</sup>, 2006 with the Resale Power Group of Iowa (RPGI), an Iowa Chapter 28E Organization of which the City is a member. The purpose of the agreement is to permit RPGI to act as an agent for the City for entering into agreements for the purchase, generation, distribution, sale and interchange of electric energy. The agreement commences on January 1, 2007 and shall continue for successive five year terms until terminated by either party.

Related to the preceding agreement, the City also signed a RPGI Pro Rata Guaranty dated April 16<sup>th</sup>, 2006 with the Resale Power Group of Iowa (RPGI). The purpose of the guaranty is to obligate the City to be contingently liable to RPGI in its role as a contracting agent and guarantor for the purchase of electric energy from Ameren Energy Marketing Company (AEM) of Illinois in behalf of the members of RPGI. The City's share of the RPGI's \$20M guaranty to AEM is 7.61%, or \$1,528,088 based upon the agreement among the members of RPGI. The guaranty agreement terminates on February 15<sup>th</sup>, 2009, unless the agreement with AEM terminates prior to that date.

#### NOTE 12 - TAX INCREMENT FINANCING

Resolution 6-03 authorized a loan to the Tax Increment Financing Fund. The City of West Liberty has established the West Liberty Urban Renewal Area whereas the City will perform certain improvements consisting of repair and renovation of the east side interceptor sewer. In order to make the improvements eligible to be paid from the incremental property tax revenues, it is necessary to create an internal debt. The City Clerk was directed that \$90,000 be advanced to the Tax Increment Fund from the Electric Fund in order to pay the cost of the improvements. The advance shall be treated as a loan to the Tax Increment Fund and shall be repaid to the Electric Fund with interest of 3.75% per annum. Payment shall be made on the loan on December 31<sup>st</sup> and June 30<sup>th</sup> of each year to the extent there are incremental tax revenues available for such purpose. Funds shall be credited first to accrued interest and then to outstanding principal. Similarly, Resolution 4-02 established a Tax Increment Fund and authorized a loan to that fund. The City performed certain improvements consisting of the acquisition and demolition of 109 Rainbow Drive. The City Clerk was directed that \$90,000 be advanced to the TIF from the General Fund with interest of 3.75%. Payments shall be made June 1<sup>st</sup>, of each year as TIF funds are available. Payments will be allocated first to accrued interest and then to outstanding principal.

#### NOTE 13 - CEBA LOAN AGREEMENT

The City received a Community Economic Betterment Account (CEBA) award dated August 19, 1999 for a loan of \$350,000 and a forgivable loan of \$150,000 on behalf of a local business Engineered Rubber Products, Inc. (the Company). The local business is required to repay the loan over 60 months at 0% interest with monthly payments of \$5,833.33 commencing June 1, 2000. The forgivable loan does not have to be repaid if the business complies with covenants contained within the agreement. The City provides electrical infrastructure improvements and agency

services for the Iowa Department of Economic Development for administration of the award. The Company has ceased operations and collection on the loan is uncertain.

#### NOTE 14 - STREET CONSTRUCTION G.O. CAPITAL LOAN NOTE

During the fiscal year ended June 30, 2000, the City received proceeds of \$1,000,000 from a bond anticipatory note for purposes of street construction. The debt dated May 3, 2000 carried an interest rate of 5.1% and was due June 1, 2001. The liability for the note was shown in the special revenue street fund. The refinancing of the short term note on a long term basis was anticipated to be completed during the fiscal year ended June 30, 2001. The street construction loan was not included in the general long term debt account group.

During the fiscal year ended June 30, 2001, the City received proceeds of \$1,490,000 from a General Obligation Capital Loan Note for the purposes of refinancing the fore mentioned note and additional street construction. The debt, dated March 22, 2001, carries an average interest rate of 5.0527% and is due June 1, 2016.

#### NOTE 15 - CAPITAL LOAN NOTES

##### Water Pollution Control

The City issued general obligation capital loan notes dated January 1, 1994 in the aggregate amount of \$350,000 for the purpose of financing construction of Water Pollution Control plant and sewer improvements. The notes mature serially between 1997 and 2009 and carry an average interest rate of 4.867%. As of July 1, 2002 the remaining notes payable totaled \$190,000.

The above remaining capital loan notes of \$190,000 were retired by refunding the debt with General Obligation Capital Loan Notes dated September 1, 2002 for a total of \$195,000. These refunding Capital Loan Notes are included as a part of the \$595,000 of Capital Loan Notes issued that date of which \$400,000 was issued for the purpose of the swimming pool renovation project. Therefore, 32.7731% of principal and interest debt service payments on the \$595,000 of Capital Loan Notes are allocated to the Water Pollution Control proprietary enterprise fund. The notes mature serially between 2006 and 2013 and carry an average interest rate of 4.14%.

##### Pool Renovation Project

Dated September 1, 2002, the City issued \$400,000 of General Obligation Capital Loan Notes to fund renovation of the Municipal Swimming Pool. These Capital Loan Notes are included as a part of the \$595,000 of Capital Loan Notes issued that date of which \$195,000 was issued for the purpose of refunding Water Pollution Control Capital Loan Notes dated January 1, 1994. Therefore, 67.227% of principal and interest debt service payments on the \$595,000 of Capital Loan Notes are allocated to the Debt Service Fund. The notes mature serially between 2006 and 2013 and carry an average interest rate of 4.14%.

#### NOTE 16 - NOTE INDEBTEDNESS - REVENUE NOTE REQUIREMENTS

##### Water Pollution Control Revenue Notes

The Council of the City of West Liberty passed an ordinance to authorize the issuance of \$3,115,000 of Sewer Revenue Capital Loan Notes, dated March 1, 1995, to finance the construction of improvements to the Water Pollution Control facility and related improvements.

The ordinance provides that these notes will be retired from the revenue of the municipal Sewer Utility. The ordinance creates the following three funds to provide for the retirement of the notes:

1. Note and Interest Sinking Fund - Monthly deposits are to be made to this fund from the operations account amounting to one-sixth of the interest coming due at the next semiannual interest payment date, plus one-twelfth of the notes maturing on the next maturity date. Notes and interest are paid by this fund.
2. Debt Service Reserve Fund - Monthly deposits of 25% of the amount required for the above Note and Interest Sinking Fund from the operations account are to be made into this fund until the fund balance has reached the Reserve Fund Requirement. The Reserve Fund Requirement equals the lesser of the maximum interest and principal coming due or ten percent of the principal amount outstanding.
3. Sewer Improvement Fund - Monthly payments of \$5,000 are to be made to this fund. This fund is to be used, if necessary, to finance accounts #1 and #2 above and for repairs or construction of additional works and facilities. Payments are to continue until \$300,000 has been accumulated in the account. If the account balance drops below this minimum balance, the monthly \$5,000 payments must recommence.

The bonds mature serially starting March 1, 1997, through March 1, 2010. Interest is payable semiannually on March 1 and September 1. Deposits to above funds #1 and #2 were made correctly during the year in accordance with the above requirements. Fund #3 was exhausted during the 2005-2006 fiscal year. The fund has not been replenished.

The ordinance also requires that other covenants be complied with as follows:

- a. The City will maintain the Water Pollution Control Facility in good condition; operate it in an efficient manner and at reasonable cost.
- b. The City will produce sufficient net revenue adequate to pay principal and interest on notes and fund reserve and improvement funds, but not less than 125% of the principal and interest requirements each year.
- c. The City will maintain adequate insurance on the facilities.
- d. The City will have an annual audit by an independent auditor and provide a copy to the original purchaser and other note holders. The audit report must include the following:
  - i. An evaluation of covenant compliances.
  - ii. Statement of revenues and expenses.
  - iii. Balance sheet.
  - iv. Rates in effect at the end of the fiscal year, the number of customers of the system and an analysis of the rates of debt service to net revenues.
  - v. Schedule of insurance.
  - iv. Evaluation of internal controls and sufficiency of fidelity bonding.
  - vii. Listing of public officials.
  - viii. Statement addressing any events or circumstances which might affect the financial status of the system.
- e. The City will operate the system in compliance with state laws.
- f. The City will not sell, lease or in any other manner dispose of any of the system, generally.
- g. Sufficient fidelity bond coverage will be maintained by the City.
- h. The City will require proper connecting charges and security from customers for payment of service charges.

- i. The City will adopt a system budget each year.

The City complied with the preceding covenants for the fiscal year ended June 30, 2007, except for the following paragraph.

The net revenue of the Sewer Proprietary Fund did not meet the minimum net revenue required by the bond covenants of the Sewer Revenue Capital Loan Notes dated March 1, 1995 by \$631,451.

On April 16, 1996, the City received official notification from the Louis Rich Company, the major user of the system, that the West Liberty plant was for sale. The Iowa Turkey Growers Cooperative (ITGC) purchased the production facilities in West Liberty from the Louis Rich Company on January 1, 1997. A contract was signed with the City by ITGC whereby the city will provide wastewater treatment services to ITGC on a contractual basis similar to the contract previously with the Louis Rich Company.

#### Electric Utility Revenue Notes

The Council of the City of West Liberty passed an ordinance to authorize the issuance of \$5,000,000 of Electric Revenue Capital Loan Notes, dated September 1, 2002, to finance the construction of improvements to the Municipal Electric Utility of the City including additional generating capacity.

The ordinance provides that these notes will be retired from the revenue of the Municipal Electric Utility. The ordinance creates the following four funds to provide for the retirement of the notes:

1. Operation & Maintenance Fund - Monthly deposits are to be made to this fund from operating revenues sufficient to meet the current operating expenses of the month plus an amount equal to one-twelfth of the expenses payable annually.
2. Sinking Fund - Monthly deposits are to be made to this fund from the operations account amounting to one-sixth of the interest coming due at the next semiannual interest payment date, plus one-twelfth of the notes maturing on the next maturity date. Notes and interest are paid by this fund.
3. Reserve Fund - Monthly deposits of 25% of the amount required for the above Sinking Fund from the operations account are to be made into this fund until the fund balance has reached the Reserve Fund Requirement. The Reserve Fund Requirement equals the lesser of the (1) maximum interest and principal coming due, (2) ten percent of the principal amount outstanding, or (3) 125% of the average annual principal and interest coming due. An initial deposit of \$471,000 to the Reserve Fund was required.
4. Improvement Fund - Monthly payments of \$4,000 are to be made to this fund. This fund is to be used, if necessary, to finance accounts #2 and #3 above and for repairs or construction of additional works and facilities. Payments are to continue until \$500,000 has been accumulated in the account. If the account balance drops below this minimum balance, the monthly \$4,000 payments must recommence. An initial deposit of \$500,000 to the Improvement Fund was required.

The bonds mature serially starting December 1, 2006, through December 1, 2017. Notes maturing after December 1, 2010 may be called for redemption on said date or anytime thereafter at par by giving thirty (30) days notice of redemption. Interest is payable semiannually on June 1 and December 1. Monthly deposits to above funds #1, #2, #3 and #4 were made correctly during the year in accordance with the above requirements.

The ordinance required that the accrued interest of \$19,918.22 received from issuance of the notes be deposited to the Sinking Fund. Also, it required \$471,000 from funds on hand to be

deposited in the Reserve Fund and \$500,000 from funds on hand to be deposited to the Improvement Fund. All three of these requirements have been completed.

The ordinance also requires that other covenants be complied with as follows:

- a. The City will maintain the Electric Utility System in good condition; operate it in an efficient manner and at reasonable cost.
- b. The City will produce sufficient net revenue adequate to pay principal and interest on notes and fund Reserve and Improvement Funds.
- c. The City will maintain adequate insurance on the facilities. Proceeds of any insurance will be used to repair or replace destroyed parts of the system or shall be placed in the Improvement Fund.
- d. The City will have an annual audit by an independent auditor and provide a copy to the original purchaser and other note holders, upon request.
- e. The City will operate the system in compliance with state laws.
- f. The City will not sell, lease or in any other manner dispose of any of the system, generally.
- g. Sufficient fidelity bond coverage will be maintained by the City.
- h. The City will require proper connecting charges or other security for payment of service charges.
- i. The City will approve and conduct operations pursuant to a system budget of revenues and expenses for each fiscal year.

The City complied with the preceding covenants for the fiscal year ended June 30, 2007.

#### NOTE 17 – SEWER REVENUE CAPITAL LOAN NOTE

On June 27, 2007 the City of West Liberty was issued a \$800,000 Sewer Revenue note for the purpose of paying costs of improvement and extension of the sewer system.

This note is intended to serve as interim financing. The note will mature July 1, 2008 and has an interest rate of 6%.

#### NOTE 18 – ELM STREET GENERAL OBLIGATION NOTE

On November 1, 2006, the City of West Liberty issued an \$850,000 general obligation note for the purpose of financing improvements to Elm Street. The notes mature serially between 2008 and 2017 and carry interest rates from 3.75%-4.15%. As of June 30, 2007, the note payable balance is \$850,000.

#### NOTE 19 – CONTRACT COMMITMENTS

As of June 30, 2006, the City was obligated under the following contract commitments:

Operations Management International, Inc. for operation of the Wastewater Treatment Plant, Sludge Disposal and Industrial Monitoring program under a five year amended contract dated June 10, 2006 that began July 1, 2006, at a monthly fee of \$43,185, adjusted annually.

Solar Turbines Incorporated for maintenance of the two turbine generator sets under a five year contract dated June 1, 2005 at a monthly fee of \$4,500, adjusted annually for inflation.

### **Required Supplementary Information**



City of West Liberty

**Budgetary Comparison Schedule of  
Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) -  
Governmental Funds and Proprietary Funds**

**Required Supplementary Information**

**Year ended June 30, 2007**

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>	Original <u>Budget</u>	Final <u>Budget</u>	Actual to Budget <u>Variance</u>
Receipts:						
Property tax	\$ 759,669		759,669	748,042	748,042	11,627
Tax increment financing	181,404		181,404	177,317	177,317	4,087
Local Option	358,319		358,319	301,744	301,744	56,575
Licenses and permits	15,211		15,211	15,835	15,835	(624)
Use of money and property	96,442	255,043	351,485	243,027	243,027	108,458
Intergovernmental	293,258	-	293,258	329,071	329,071	(35,813)
Charges for service	133,751	5,375,265	5,509,016	6,718,196	6,718,196	(1,209,180)
Miscellaneous	116,680	-	116,680	63,950	77,095	39,585
Total receipts	<u>1,954,734</u>	<u>5,630,308</u>	<u>7,585,042</u>	<u>8,597,182</u>	<u>8,610,327</u>	<u>(1,025,285)</u>
Disbursements:						
Public safety	518,950		518,950	557,943	580,143	61,193
Public works	324,907		324,907	308,891	311,961	(12,946)
Culture and recreation	550,833		550,833	476,520	498,626	(52,207)
General government	111,083		111,083	100,418	100,418	(10,665)
Debt service	223,045		223,045	201,057	201,057	(21,988)
Capital projects	80,605		80,605	812,000	812,000	731,395
Business type activities	-	5,827,208	5,827,208	6,334,499	6,334,499	507,291
Total disbursements	<u>1,809,423</u>	<u>5,827,208</u>	<u>7,636,631</u>	<u>8,791,328</u>	<u>8,838,704</u>	<u>1,202,073</u>
Excess (deficiency) of receipts over (under) disbursements	145,311	(196,900)	(51,589)	(194,146)	(228,377)	176,788
Other financing sources, net	<u>850,000</u>	<u>-</u>	<u>850,000</u>	<u>650,000</u>	<u>1,440,000</u>	<u>(590,000)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	995,311	(196,900)	798,411	455,854	1,211,623	(413,212)
Balances beginning of year	<u>1,656,254</u>	<u>16,960,489</u>	<u>18,616,743</u>	<u>16,786,768</u>	<u>16,786,768</u>	<u>-</u>
Balances end of year	<u>\$ 2,651,565</u>	<u>16,763,589</u>	<u>19,415,154</u>	<u>17,242,622</u>	<u>17,998,391</u>	<u>(413,212)</u>

See accompanying independent auditors' report.

City of West Liberty  
Notes to Required Supplementary Information – Budgetary Reporting  
Year ended June 30, 2007

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 9 major classes of disbursements known as functions, not by fund or fund type. These 9 functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, the budget amendments increased budgeted disbursements by \$47,376. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements in the public works, culture and recreation, general government, and debt service functions exceeded the amount budgeted.

**City of West Liberty**

## Other Supplementary Information

## City of West Liberty

Combining Balance Sheet  
Nonmajor Funds

June 30, 2007

	Special Law <u>Enforcement</u>	Crees <u>Cemetery</u>	Library <u>Improvement</u>	Road <u>Use</u>	FEMA	TIF Urban <u>Renewal</u>	Fire Trust and <u>Agency</u>	Library <u>Trust</u>	Insurance <u>Reserve</u>
<b>Assets</b>									
Cash and pooled investments	1,611	40,019	75	133,941	8,951	4,399	31,801	119,876	142,656
Receivables:									
Accrued interest		288					52		346
Due from other governments						653			
Prepays	-			6,845					
<b>Total assets</b>	<u>1,611</u>	<u>40,307</u>	<u>75</u>	<u>140,786</u>	<u>8,951</u>	<u>5,052</u>	<u>31,853</u>	<u>119,876</u>	<u>143,002</u>
<b>Liabilities and Fund Equity</b>									
Liabilities:									
Accounts payable		452		4,586				1,213	127
Accrued payroll				5,504					
Due to other funds						23,769			
Fund equity:									
Fund balances:									
Unreserved, undesignated	<u>1,611</u>	<u>39,855</u>	<u>75</u>	<u>130,696</u>	<u>8,951</u>	<u>(18,717)</u>	<u>31,853</u>	<u>118,663</u>	<u>142,875</u>
<b>Total liabilities and fund equity</b>	<u>1,611</u>	<u>40,307</u>	<u>75</u>	<u>140,786</u>	<u>8,951</u>	<u>5,052</u>	<u>31,853</u>	<u>119,876</u>	<u>143,002</u>
See accompanying independent auditors' report.									

## City of West Liberty

Combining Balance Sheet  
Nonmajor Funds

June 30, 2007

<u>Ambulance Reserve</u>	<u>Fire Reserve</u>	<u>Cash Clearing</u>	<u>Subtotal Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
96,947	83,816	3,033	667,125	22,168	689,293
			686		686
			653		653
			<u>6,845</u>		<u>6,845</u>
<u>96,947</u>	<u>83,816</u>	<u>3,033</u>	<u>675,309</u>	<u>22,168</u>	<u>697,477</u>
			6,378		6,378
			5,504		5,504
			23,769		23,769
<u>96,947</u>	<u>83,816</u>	<u>3,033</u>	<u>639,658</u>	<u>22,168</u>	<u>661,826</u>
<u>96,947</u>	<u>83,816</u>	<u>3,033</u>	<u>675,309</u>	<u>22,168</u>	<u>697,477</u>

See accompanying independent auditors' report.

**City of West Liberty**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Nonmajor Funds**  
**Year ended June 30, 2007**

	Special Law <u>Enforcement</u>	Crees Cemetery	Library Improvement	Road Use	FEMA	TIF Urban Renewal	Fire Trust and Agency	Library Trust	Insurance Reserve
Revenues:									
Property tax						51,090			
Tax increment financing						663	1,279	4,329	6,066
Use of money and property	21	1,832	150						
Intergovernmental				277,705					
Charge for service									
Miscellaneous	<u>2,426</u>						<u>1,335</u>	<u>13,650</u>	<u>57,972</u>
Total revenues	<u>2,447</u>	<u>1,832</u>	<u>150</u>	<u>277,705</u>	<u>-</u>	<u>51,753</u>	<u>2,614</u>	<u>17,979</u>	<u>64,038</u>
Expenditures:									
Operating:									
Public Safety	836								
Public Works				297,004					
Culture and Recreation			5,470					4,717	
General Government									61,695
Debt Service						<u>2,428</u>			
Total expenditures	<u>836</u>	<u>-</u>	<u>5,470</u>	<u>297,004</u>	<u>-</u>	<u>2,428</u>	<u>-</u>	<u>4,717</u>	<u>61,695</u>
Excess (deficiency) of revenues over (under) expenditures	1,611	1,832	(5,320)	(19,299)	-	49,325	2,614	13,262	2,343
Other financing sources (uses):									
Operating transfers in (out)									
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	1,611	1,832	(5,320)	(19,299)	-	49,325	2,614	13,262	2,343
Fund balances beginning of year	<u>-</u>	<u>38,023</u>	<u>5,395</u>	<u>149,995</u>	<u>8,951</u>	<u>(68,042)</u>	<u>29,239</u>	<u>105,401</u>	<u>140,532</u>
Fund balances end of year	<u>\$ 1,611</u>	<u>39,855</u>	<u>75</u>	<u>130,696</u>	<u>8,951</u>	<u>(18,717)</u>	<u>31,853</u>	<u>118,663</u>	<u>142,875</u>

See accompanying independent auditors' report.

City of West Liberty  
Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Funds  
Year ended June 30, 2007

		Subtotal			
Ambulance	Fire	Cash	Special	Capital	
<u>Reserve</u>	<u>Reserve</u>	<u>Clearing</u>	<u>Revenue</u>	<u>Projects</u>	<u>Total</u>
					-
			51,090		51,090
2,937	2,488		19,765	849	20,614
			277,705		277,705
42,260			42,260		42,260
	<u>12,500</u>	<u>(1,166)</u>	<u>86,717</u>		<u>86,717</u>
<u>45,197</u>	<u>14,988</u>	<u>(1,166)</u>	<u>477,537</u>	<u>849</u>	<u>478,386</u>
3,240			4,076		4,076
			297,004		297,004
			10,187		10,187
			61,695		61,695
			<u>2,428</u>		<u>2,428</u>
<u>3,240</u>	<u>-</u>	<u>-</u>	<u>375,390</u>	<u>-</u>	<u>375,390</u>
41,957	14,988	(1,166)	102,147	849	102,996
	<u>12,500</u>		<u>12,500</u>		<u>12,500</u>
-	12,500	-	12,500	-	12,500
41,957	27,488	(1,166)	114,647	849	115,496
<u>54,990</u>	<u>56,328</u>	<u>4,199</u>	<u>525,011</u>	<u>21,319</u>	<u>546,330</u>
<u>96,947</u>	<u>83,816</u>	<u>3,033</u>	<u>639,658</u>	<u>22,168</u>	<u>661,826</u>

See accompanying independent auditors' report.



## City of West Liberty

Schedule of Revenues by Source and Expenditures by Function -  
All Governmental Funds

## For the Last Four Years

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues:				
Property tax	759,669	712,714	678,048	723,315
Tax increment financing revenue	181,404	177,787	177,486	150,638
Local Option Tax	358,319	309,232	278,919	314,388
Licenses and permits	15,211	21,076	24,309	20,583
Use of money and property	96,442	64,049	36,501	30,080
Intergovernmental	293,258	807,700	291,191	375,091
Charges for service	133,751	126,936	118,280	100,005
Miscellaneous	<u>116,680</u>	<u>153,687</u>	<u>216,935</u>	<u>105,765</u>
Total	<u>\$ 1,954,734</u>	<u>2,373,181</u>	<u>1,821,669</u>	<u>1,819,865</u>
Expenditures:				
Operating:				
Public safety	\$ 518,950	660,357	646,908	532,728
Public works	324,907	291,609	328,661	327,190
Culture and recreation	550,833	431,894	549,168	405,812
Community and economic development	-	-	87	7
General government	111,083	168,056	182,985	190,737
Debt service	223,045	205,702	203,904	201,010
Capital projects	<u>80,605</u>	<u>827,118</u>	<u>399,354</u>	<u>820,336</u>
Total	<u>\$ 1,809,423</u>	<u>2,584,736</u>	<u>2,311,067</u>	<u>2,477,820</u>

See accompanying independent auditors' report.

## City of West Liberty

Insurance in Force  
June 30, 2007

<u>Insurer</u>	<u>Description</u>	<u>Amount</u>	<u>Expiration Date</u>	<u>Remarks</u>	<u>Policy Number</u>	<u>Term</u>	<u>Inception Date</u>
Employers Mutual Co.	Property	\$ 12,253,240	4/1/2008	90% cash value	8X9-30-44 Package	1 yr.	4/1/2007
	Broad form company general	2,000,000					
	Business auto	1,000,000					
	Crime coverage						
	Loss inside premises	10,000					
	Loss outside premises	10,000					
	Boiler and machinery						
	Limit per accident	15,934,277					
	Inland marine	518,636					
	EDP						
	Citizen band radios						
	Contractors equipment form						
	Miscellaneous property form						
	Umbrella liability	5,000,000					
	Retained limit	10,000					
	Linebacker	1,000,000					
	Worker's compensation	500,000					
	Employee Dishonesty	25,000					
	Forgery	10,000					
The Hartford Accident and Indemnity Company	Volunteer firefighters		3/23/2008	Volunteer firefighters blanket Accident policy weekly benefit Up to age 65	83VP730207	1 yr.	3/23/2007
	Accidental death & dismember benefit	5,000					
	Accident total disability benefit	50					

## City of West Liberty

Bond and Note Maturities  
June 30, 2007

## General Obligation and Revenue Bonds &amp; Notes

Year Ending <u>June 30.</u>	<u>Pool Project</u> <u>Issued September 1, 2002</u>		<u>Street Improvements Bond</u> <u>Issued March 1, 2001</u>		<u>Elm Street GO Note</u> <u>Issued November 1, 2006</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2008	4.00%	47,040	4.85%	90,000	3.75%	70,000
2009	4.15%	47,040	4.90%	95,000	3.75%	75,000
2010	4.30%	26,880	5.00%	100,000	3.80%	75,000
2011	4.45%	30,240	5.05%	105,000	3.85%	80,000
2012	4.60%	30,240	5.10%	115,000	3.90%	85,000
2013	4.70%	33,600	5.15%	120,000	3.95%	85,000
2014			5.20%	125,000	4.00%	90,000
2015			5.25%	130,000	4.05%	95,000
2016			5.30%	140,000	4.10%	95,000
2017		-		-	4.15%	100,000
Total		<u>\$ 215,040</u>		<u>1,020,000</u>		<u>850,000</u>

## City of West Liberty

Bond and Note Maturities  
June 30, 2007

## General Obligation and Revenue Bonds &amp; Notes

Year Ending June 30,	<u>Electric Revenue</u>		<u>Sewer Revenue Notes</u>		<u>Sewer GO Note</u>		<u>Sewer Revenue Capital Notes</u>	
	<u>Issued September 1, 2002</u>		<u>- Series 1995</u> <u>Issued March 1, 1995</u>		<u>Issued September 1, 2002</u>		<u>Issued June 27, 2007</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2008	4.00%	285,000	7.45%	280,000	4.00%	22,960	6.00%	800,000
2009	4.25%	295,000	7.50%	305,000	4.15%	22,960		
2010	4.40%	310,000	7.50%	325,000	4.30%	13,120		
2011	4.55%	320,000			4.45%	14,760		
2012	4.70%	335,000			4.60%	14,760		
2013	4.85%	355,000			4.70%	16,400		
2014	4.95%	370,000						
2015	5.05%	390,000						
2016	5.15%	410,000						
2017	5.25%	435,000						
2018	5.30%	<u>455,000</u>		<u>-</u>		<u>-</u>		<u>-</u>
TOTAL		<u>\$ 3,960,000</u>		<u>910,000</u>		<u>104,960</u>		<u>800,000</u>

## City of West Liberty

Computation of Legal Debt Margin  
June 30, 2007

Actual Valuation at January 1, 2005	\$ 120,208,208
Times %	x 5%
Legal Debt Limitation	<u>6,010,410</u>
Debt Applicable to Limitation	
Outstanding General Obligation Bonds and Notes at June 30, 2007	<u>2,190,000</u>
Legal Debt Margin	<u>\$ 3,820,410</u>

## City of West Liberty

Electric Utility  
 Restricted Accounts Required By Bond Ordinance  
 June 30, 2007

	<u>Account</u>			
	Current	Future	Contingency	
	Debt	Debt	(Renewal and	
	<u>Service</u>	<u>Service</u>	<u>Replacement)</u>	<u>Total</u>
Cash and Investments - Beginning of Year	\$ 174,275	471,000	580,108	1,225,383
Cash Receipts - Transfers From Operating Cash	<u>473,302</u>	<u>-</u>	<u>-</u>	<u>473,302</u>
Total Cash and Investments Available	<u>647,577</u>	<u>471,000</u>	<u>580,108</u>	<u>1,698,685</u>
Cash Disbursements				
Principal Payments	270,000			270,000
Interest Payments	<u>195,396</u>	<u>-</u>	<u>-</u>	<u>195,396</u>
Total Cash Disbursement	<u>465,396</u>	<u>-</u>	<u>-</u>	<u>465,396</u>
Cash and Investments - End of Year	<u>\$ 182,181</u>	<u>471,000</u>	<u>580,108</u>	<u>1,233,289</u>

## City of West Liberty

Sewer Utility – Revenue Bond & Note  
 Restricted Accounts Required By Bond Ordinance  
 June 30, 2007

	<u>Account</u>			
	Current	Future	Contingency	
	Debt	Debt	(Renewal and	
	<u>Service</u>	<u>Service</u>	<u>Replacement)</u>	<u>Total</u>
Cash and Investments -				
Beginning of Year	\$ 123,150		385,307	508,457
Cash Receipts - Transfers In (Out)				
From Operating Cash	<u>375,655</u>	<u>-</u>	<u>122,359</u>	<u>498,014</u>
Total Cash and				
Investments Available	<u>498,805</u>	<u>-</u>	<u>507,666</u>	<u>1,006,471</u>
Cash Disbursements				
Transfers				-
Principal Payments	260,000			260,000
Interest Payments	<u>86,298</u>	<u>-</u>	<u>-</u>	<u>86,298</u>
Total Cash Disbursements	<u>346,298</u>	<u>-</u>	<u>-</u>	<u>346,298</u>
Cash and Investments -				
End of Year	<u>\$ 152,507</u>	<u>-</u>	<u>507,666</u>	<u>660,173</u>

City of West Liberty

Sewer Rates and Customers

Number of Sewer Customers as of June 30, 2007: 1443

Sewer Rates as of June 30, 2007: \$2.55/1,000 gallons/month plus \$18.50 user fee/month  
minimum for 0-1,000 gallons \$21.05

Rural usage: \$3.70/1,000 gallons/month plus \$26.83 user fee/month  
minimum for 0-1,000 gallons \$30.53



## City of West Liberty

## Sewer Net Revenues and Comparison to Debt Service

## Sewer Proprietary Enterprise Fund:

Net Income for Year Ended June 30, 2007	\$ (446,564)
Add: Depreciation Expense	217,841
Bond Interest Paid	<u>86,298</u>
Net Revenue for Year Ended June 30, 2007	<u>(142,425)</u>
Debt Service Requirements for the Year Ended June 30, 2007	391,220
Bonding Requirement Factor	x <u>125%</u>
Minimum Net Revenue	489,025
Bonding Requirements (Deficit)	<u>\$ (631,450)</u>

**City of West Liberty**

**Independent Auditors' Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance with  
Government Auditing Standards**

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of The City of West Liberty (the City), Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 30, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We identified no deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that would be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of The City of West Liberty and other parties to whom the City may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of West Liberty during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

TAYLOR, REES, BECKEY & CO., P.C.  
Certified Public Accountants

November 30, 2007

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City of West Liberty  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2007

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements .
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Federal program expenditures for the year did not exceed \$500,000.

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

No matters were noted.

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted. Since expenditures of federal awards did not exceed \$500,000, a "Single Audit" was not performed.

**REPORTABLE CONDITIONS:**

No matters were noted. Since expenditures of federal awards did not exceed \$500,000, a "Single Audit" was not performed.

**Part IV: Other Findings Related to Required Statutory Reporting:**

**IV-A-06**      Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amount budgeted in the public works, culture and recreation, general government and debt services functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

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Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

IV-B-06      Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-06      Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted that represent a conflict of interest in accordance with Chapter 362.5(10) of the Code of Iowa.

IV-D-06      Business Transactions – Business transactions between the City and City officials or employees are noted as follows:

Name, Title, and Business Connection	Transaction Description	Amount
William Cline – Council Member HD Cline Company	Parts, Repairs	\$10,819

From our review of the purchases in accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with HD Cline Company do not appear to represent conflicts of interest.

IV-E-06      Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

IV-F-06      Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-06      Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-H-06      Revenue Notes – The net revenue of the Sewer Proprietary Fund did not meet the minimum net revenue required by the bond covenants of the Sewer Revenue Capital Loan Notes, dated March 1, 1995 by \$631,450.

Recommendation – Increase sewer revenue.

Response – Additional Sewer payments will be required from West Libery Foods or an increase in sewer rates.

Conclusion – Response accepted.

IV-I-06      Sewer Improvement Fund – The balance for future debt service reserve in the Sewer Improvement Fund was exhausted therefore this fund did not meet the \$300,000 required balance in this account.

Recommendation – Replenish the fund during fiscal year 2007-2008.

Response – The fund will be replenished by increasing sewer rates during fiscal year 2007-2008.

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Conclusion – Response accepted.

IV-I-07      Financial Condition – The TIF Urban Renewal, a special revenue fund, had a deficit balance at June 30, 2007 of \$18,717.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this account to a sound financial position.

Response – Tax levies for the TIF debt will continue to be collected to offset the deficit balance.

Conclusion – Response accepted.